

## Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-10 ISO-00 EB-07 STR-04 INT-05 CIAE-00

INR-07 NSAE-00 XMB-04 TRSE-00 OMB-01 AID-05 IGA-02

EA-09 TAR-01 H-02 L-03 /061 R

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APPROVED BY EB/OCA/CM/JSIMMONS

COM/BIC/OED/MEPD/SMCONGER

COM/BIC/OIM (INFO)

ARA/BR/TSHUGART

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P 102222Z FEB 76

FM SECSTATE WASHDC

TO AMCONSUL RIO DE JANEIRO PRIORITY

AMEMBASSY BRASILIA

INFO AMCONSUL SAO PAULO PRIORITY

UNCLAS STATE 032637

E.O. 11652: N/A

TAGS: BENC, BR

SUBJECT: SIDERBRAS STEEL EXPANSION

REF: BRASILIA 0893

1. AT THIS STAGE THE BEST EXAMPLE OF POSSIBLE JAPANESE DUMPING SEEMS TO BE THE USIMINAS TEMPER MILL SINCE THIS IS ONE OF THE FEW MAJOR COMPONENTS WHERE THEY HAVE ANNOUNCED THE PRICES. INDUSTRY INFORMS THAT HITACHI QUOTED 6,978,000 DOLLARS FOB FOR A 1858 MT MILL WITH MINIMAL BRAZILIAN PROCUREMENT, MITSUBISHI QUOTED 8,978,000 FOB FOR A 1538 MT MILL AGAIN WITH MINIMAL BRAZILIAN PROCUREMENT; IHI QUOTED 13,716,000 FOB FOR A 1885 MT MILL BUT 1157 MT IS SPECIFIED FOR BRAZILIAN PROCUREMENT. THESE PRICES CAN BE COMPARED TO BLISS'S UNCLASSIFIED

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10 MILLION DOLLAR FIXED PRICE OFFER. BLISS FEELS THAT

THE JAPANESE WILL WIN THIS CONTRACT.

2. PERHAPS A BETTER INDICATOR OF THE JAPANESE COMPETITIVE POSTURE WILL BE THEIR COMMERCIAL BID ON THE CSN HOT STRIP MILL. THE BIDS WILL BE OPENED ON FEB 18 AND WE UNDERSTAND HITACHI AND MITSUBISHI ARE SUBMITTING

A, COMBINED JAPANESE BID. MESTA MACHINE AND WEAN UNITED ARE THE U.S. CONTENDERS. GIVEN THE IMPORTANCE OF THIS CONTRACT WE SUGGEST EMBASSY CONSUL ASK CSN FOR A COMPLETE PRICE BREAKDOWN FOR THIS PACKAGE.

3. COMMENT: WHEN ASKED ABOUT ABDIB'S CONCERN OVER POSSIBLE JAPANESE DUMPING OUR SOURCES INDICATE THEY ARE NOT SURPRISED IN THAT BRAZILIAN PRICE LEVELS ARE EXCEPTIONALLY HIGH FOR STEEL RELATED EQUIPMENT. IT IS TWO TO THREE TIMES THE PRICE LEVEL FOR SIMILAR EQUIPMENT IN THE U.S. AND IT IS LIKELY A SIMILAR CONDITION EXISTS BETWEEN JAPANESE AND BRAZILIAN EQUIPMENT. A GOOD INDICATOR OF THIS SITUATION ARE PRICES ON THE USIMINAS TEMPER MILL WHERE THE TWO LOW JAPANESE BIDDERS INCLUDED MINIMAL BRAZILIAN PROCUREMENT IN THEIR OFFERS. ACCORDINGLY MANY OF THE U.S. COMPANIES HAVE RAISED THE CONCERN THAT IT IS EXTREMELY DIFFICULT TO BE COMPETITIVE UNDER IBRD GUIDELINES WHILE MAXIMIZING BRAZILIAN PROCUREMENT EVEN WITH A PREFERENCE FOR LOCAL SUPPLY.

KISSINGER

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**To:** RIO DE JANEIRO BRASILIA  
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